On Mysore Government Service

Confidential

File No. D.C 147 - 22 - (1,7+8)

B. Dec. 192

Strictly Confidential

6.12.22

G.R.S. IX-5]

Previous references.
C. 625-
2tc 98-22-(61)

1922.
2tc

File No. 147 of 22

Serial Nos. 1, 748

Later references.
2tc 147-22-(1,748)

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 3

Part B for December 1922

SUBJECT

Application from the Essen flour Products Ltd. Mysore for a licence to distil Sandalwood oil in the State purchasing Sandalwood at the auction Sales of Wadras and Coorg.

RBB

URGENT - NEXT MEETING.

(For Disposal at a Meeting)

No. C. 201

.....1922-3,

GENERAL A[illegible]E SECRETARIAT.

Council Matter.

SUBJECT.

(Clause xxiv of the schedule)

Application from the Essenflour Products Ltd. Mysore for a license to distil sandalwood oil in the State purchasing sandalwood at the auction sales of Madras and Coorg.

CIRCULATED TO THE MEMBERS OF COUNCIL.

By Order,

14th November 192 2

Chief Secretary to Government.

Extraordinary Member of Council.

First Member of Council. Seen

Second Member of Council. 14/11/22

Third Member of Council.

G. R. S. III-2]

General and Revenue Secretariat. | I & C File No. 147 of 1922-23.

Serial No.

There is a report from the Conservator of Forests about the request of the Coscanflow Products Ltd. for starting private Sandal distillation in Mysore. The report of the Director of Commerce on the same subject was submitted to the Finance Member yesterday. The report of the Conservator makes out a strong case from his point of view and it helps to clear the air for further discussion. The question raised is no less than the whole policy of the State in future with regard to Sandal oil and both sides of the question have to be very carefully considered. The Conservator considers that Rs. 2 per pound of oil i.e. 200 Rs. per ton is the cost of collection of the Sandalwood and is evidently prepared to sell the wood at any rate beyond this. If he is

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. | Src File No. 147 of 1922-23

Serial No.

of this mine, the value of 2300 tons per year at 200 Rs per ton is the value of the ~~sale~~ maximum ~~Sales~~ output per year will be 4600000 Rs, whereas 400 tons the present alleged reduced output at 1000 Rs per year ~~Can~~ give 4 lakhs — The difference between the two incomes is not very substantial and it is not clear why we should be in a hurry to reduce the value of Sandal wood & deplete our stocks of Sandal wood by selling a larger quantity for a smaller price. The only ~~Good~~ grounds for our reducing the value of Sandal wood is necessary & will be first because we can't get a higher price in the market and secondly because if we undersell we can capture the market and have a monopoly. The first ground is always a good one; but the second ground

NOTE—Contn. sheet.

(4

G. R. S. III-2]

General and Revenue Secretariat. | 98C File No. 147 of 1922-23

Serial No.

Seems to be fallacious. On current parlance Compared with the subjects of the State, Guyana may have a monopoly of ~~the~~ Sandal, but as Compared with the outer world we never had a monopoly; we only had a predominating position, because British India has always had its Sandal - we can by suitable measures even now gain our predominating position; but to attempt to gain a monopoly which we really never had outside Guyana, one of the two courses suggested by the Conservator will have to be followed. The first course of the State buying all foreign wood seems to be out of the question, not only because the present is a time of financial stringency but also because perhaps if the Colony is flowed on

NOTE—Contn. sheet.

G. R. S. III-2]

General and Revenue Secretariat. | J & C File No. 147 of 1922-23

Serial No.

a large scale it may not be possible to justify the budgetting of large funds for the purpose on principle. As regards the second course suggested by the Conservator of allowing a private Company to obtain the monopoly of the idea is no doubt very attractive; but if the American or other foreign Capitalists really mean to capture the Sandal oil trade, they can perhaps outfinance the private Co. or do exactly what is now happening & make our own position now worse than it is. Supposing that a private distillery is established in Mysore with license, with the object of gaining a monopoly would the Mysore Govt be obliged to sell all its wood to this private Co and if so would the Mysore Govt lose its right of selling it

NOTE—Contn. sheet.

Serial No.

wood as before in the open
market? If so the price of
Rosewood will probably
be decided by the prices of
British Indian timber wood and not by
its intrinsic merit in the
open market where it ought
to get a better price for its
better quality but the reason
which the Conservator considers to
which we now have. Perhaps we should not
aim at a monopoly as com-
pared with outside which
we never had but aim at
aim at consolidating our
predominant position. For
this end it may be sufficient
for us to see that rival
manufacturers do not get
wood at rates cheaper than
our own. If there should
fall in the price of Sandalwood
we have of course to meet it.
For consideration & orders

Asst
Member

31/10/22

NOTE—Contn. sheet.

P.T.O.

(7

G. R. S. III-2]

General and Revenue Secretariat. | Jtc File No. 147 of 1922-23

Serial No.

3722-07
4.11.22

2) I have already minuted on the application received with the subject. This may be submitted to the Dewan in connection with the matter regarding the disputes in Council.

Rel
6.11.22

3) The Dewan has already minuted on the letter of the Dr J & C that the Dr SO & C & may be connected. Perhaps after the Dewan minutes on this the Dr SO & may be connected about this as well as about the ~~Dr~~ letter of the Dr J & C already minuted upon & now with the first member. The Conservator may be connected if necessary after the Dr SO & has expressed his views.

Dewan) 8/11/22

4) This may be [illegible] for [illegible] connected with in Council [illegible] with the file of papers connected with the office of Inspr D. Records for 1921.

8.11

NOTE—Contn. sheet.

2136

(8

G. R. S. III-2]

General and Revenue Secretariat.

Ste File No. 147 of 19 22-23

Serial No.	
	5) as Please put up the file referred to 8/11/22
	6) Previous references perused. 9.11.22
6(a) Heard Sowmy attend the meeting & Discussion Bill when this was received on 9.11.22	7) For perusal of the Secretary minute before transfer of the file & the Council session.
	8) A draft D.O. & Hon'ble Nara Singh Rao & re the linked file - the linked file to also for perusal. 10.11.22
3912-297. 10.11.22.	9) Seen
10(a) Recd 14/11/22	(10) Recd 11.11.22 Hon'ble Narasinha Rao has since replied giving his opinion and a telephonic message alfed Chatterton. Rest

NOTE—Contn. sheet.

(9

G. R. S. III-2]

General and Revenue Secretariat. | I & C File No. 147 of 19 22-23

Serial No.	
	Papers were sent to the Finance Member yesterday and will be forwarded on return. Meanwhile as the Diwan has marked the question for Council, this may file with the linked files to forwarded to the Chief Secretary with Compliments. 14/11/22
	(11) Circular regarding Medical attendance bill for 1922

Ch 14/11/22

14/11

NOTE—Contn. sheet.

1. (10

Urgent Subject.--

Application from the Essenflour Company Ltd., Mysore, for a license to distil sandal oil in the State purchasing sandal wood at the auction sales of Madras and Coorg.

12)

...

OPINION OF THE COUNCIL.

a rep[resentative] of the
Essenflour if a detailed
scheme as regds manufacture
markets and ~~sale~~ market is
submitted, he just will be
prepared to consider the
scheme in all its aspects.

Lee
17/11/22

Sentence with corrs.

Lee
17/11/22

A S D 17/11/22

C.P.T.O.

G. R. S. III-2]

General and Revenue Secretariat. | I & C File No. 147 of 19 22-23

Serial No.

(13) Two alternative drafts — (1) to the Company direct & (2) Letter to the C/F & the Dr. of I & C — am putting for approval & their orders.

JWS
17-11-22

(14) Perhaps the Company may be directly communicated with. I have revised the draft & the Company for consideration & approval

Asst Secretary
17-11-22

(15) A fresh draft on this indicates that A.S.H. Esqr. personally today may be spoken up. It will do if a reply is sent to the E. F. Electric Co. direct now.

Paul
20.11.22

4149-5-33
18.11.22

(16) A S B 21/11/22.

NOTE—Contn. sheet.

(12

G. R. S. III-2

General and Revenue Secretariat.

Itc File No. 147 of 1922-23

Serial No.

(17) The Members desired that a revised draft letter to the Company may be put up as soon as any specific reference to the request of the Company to be licensed to deal in Spurcian wood at the Madras Coorg Sales.

(18) A brief draft is accordingly put up which is for approval and dispatch.

Mrs
22.11.22

G Secy

(19)

Hon'ble Member

22/11/22

(20)

Draft approved

Secy
23.11.22

4258-641
22.11.22

(21)

A S 24/11/22

Need 24/11

(22) Issue

Mrs 24/11

7 To Messrs. Essenflow Products Mysore -
No. 3412 dt 24.11.22.

With refce to their 2 letters (Sl. 1+2) regret to information in greater detail about their manufacturing equipment

NOTE—Contn. sheet.

G. R. S. III-2,

General and Revenue Secretariat.

Itc File No. 147 of 1922-23

Serial No.	
	financial resources and marketing Organisation
8	From the Essenflowi Products. Ld. No. E.7. 1154 of 30. 11. 1922. With reference to Sl. 7 abov States that their applicatio was for permission only to buy sandalwood at the Madras Govt auctions an to distil this wood in their factory in Mysore and assure Govt that they are in a position (financially) to cope with all the wood purchased at the Auctions &c

NOTE—Contn. sheet.

(14

W. R. S. III-2]

General and Revenue Secretariat. | Jte File No. 147 of 1922-23.

Serial No.

The letter of 30.11.22 from the Exemptions Ltd reads some what strange to me. The attitude of the Govt as regards one point of enquiry, may, perhaps, be accepted but certainly not the second in my opinion. The question of the 24th Ult was rather [illegible] & I thought this was necessary also - but the position has been made quite clear to Mr. Sitaramachari who had more than one interview with me on the matter. I gave him to understand & he assured me that he had understood me that as regards listing at the Govt's sale no permission was necessary and that with reference to dislikation within the state it was not possible to give a definite reply unless terms relating to manufacture & marketing were made known specifically. I also added that as a point of policy was involved the proposal could not be fully considered unless detailed information about their scheme was submitted. The reply now received is not, it seems to me, a response of the kind expected & one.

Rec. 1.12.22

The decision

No further notice are called for in the matter

1/12/22

NOTE—Contn. sheet.

(15

G. R. S. III-2.

General and Revenue Secretariat.	File No.	of 19

Serial No.

Permission of the Hon'ble Minister First Member

5.12.22

4615-107
4.12.22

Seen
Rec'd
5.12.22

A.S. 5/12/22

6 DEC 1922
INDUSTRIES & LABOUR BRANCH

NOTE—Contn. sheet.

(16

GEN. & REV. SECRETARIAT 02136 9-NOV 1922 INDUSTRIES & COMMERCE

Confidential

W D 247 GPB—5,000—18-8-22

OFFICE OF THE CONSERVATOR OF FORESTS IN MYSORE

Dated Bangalore,...31st Oct:...192 2

J&C 147-22-1

No. S.50/Enc.1

FROM

B. V. RAMAIENGAR, ESQ., B.A.,
Offg. *Conservator of Forests in Mysore.*

To

B. Venkoba Rao, Esq., B.A.,
Secretary to the Govt. of Mysore,
General Department, Bangalore.

SIR,

I have the honour to forward herein enclosed a letter received this day by me from the Essenflour Products Ltd., requesting permission from the Government to permit them to purchas sandalwood at the ensuing auction sale of Madras and Coorg with a view to distil the wood so purchased in their own factory at Mysore.

2. There is no denying the fact that the revenues from the sandalwood either in the form of wood or oil during recent years in Mysore State have been thoroughly disappointing, considerable amount of blame is being shelved on the bogie of trade dislocation. But if the fact that a small private company across the border has copied the Mysore distillation methods, purchased the wood at very high rates from the Madras and Coorg Governments and successfully traded with the oil thus distilled both in spite of trade depression, one will have to conclude that all the blame or at any rate a major portion of it cannot be put on on the market conditions. There is thus something quite apart from market fluctuations that has to answer for our present deplorable position with reference to the produce for which we held till recently absolute monopoly.

3. The output of sandalwood from the Mysore Forests has been considerably reduced with the object of controlling the sandaloil trade, but this attempt has not been successful: on

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on the other hand, our reduced output has been taken advantage of by the Madras and Coorg Governments to increase their output and make the best of what they can from the present policy adopted by the Mysore Government with reference to its disposal of sandaloil. From a comparison of the statistics of the sandalwood collection and disposal during the last decinnium, it will be seen that our disposals have fallen from about 2,300 tons a year to hardly 400 tons during the last year, and it is doubtful if our Sandaloil Factories will be able to utilize more than [illegible] quantity of the last year during the current year.

4. From the Director's report it will be seen that the average cost of distilling one lb. of sandalwood oil is about five rupees and the total cost of collecting, preparing and supplying it to the Factory by the Forest Department, the quantity of wood required to distil a lb. of oil inclusive of all charges on establishment and supervision is not more than two rupees per lb. of oil, so that the total cost of production at the present moment is about Rs.7 per lb. of oil. Anything beyond that figure must be considered as a profit to the State and ordinarily the State should sell out its maximum annual output of sandalwood, at any rate beyond the cost of production. This is an ordinary trade principle. It is really sad that the producer of sandalwood should not be in a position to dispose of all the available output of Mysore and thus indirectly lose the market which he once monopolized and by such reduced output render facilities for our markets being captured by other inferior articles. After all sandaloil, from any stand point of view is a luxury article which cannot be made to bear any price the producer would like to put upon it.

On the other hand such a luxury article should be placed on the market at the lowest possible rate which the producer can safely put upon it, so that a wider market and wider use for that article may be obtained displacing other articles which may be serving the purpose for the time being. At a reasonably low rate there is no reason why this oil should not be more largely used in the manufacture of toilet soap for which slightly cheaper natural essence or artificial scents are being used. From various sources I gather that the sandaloil as a medicinal drug is largely being given up at the present day. Australian oil is also coming in and ousting the real East Indian oil from some of its markets. If the existing unsatisfactory conditions have to be overcome by Mysore Government, I am of opinion that one of the two steps should be taken boldly at the present juncture. Either firstly to purchase all the sandalwood available in India and distil it in our Factories at Mysore under Government control and by better organization dispose of the oil in the best manner we can, or to hand the whole thing over to the private concern who will adopt a similar principle. The present application of the company may be considered as a move in the latter direction, and if a license is granted to enable them to distil the oil within the State of Mysore, the Mysore Government will be none the worse of than what they are at present, while we can always be sure of their support and experience in our sandaloil trade. There is absolutely no reason why a private company should not be permitted to distil oil within the limits of the State provided the respectability of the firm is assured to enable us to conclude that they will have no recourse whatsoever to obtain wood by improper means from the Mysore Forests. There is nothing to prevent them to open a factory across the borders and carry on the distillation work there just

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just as the Kuppam people are now doing it. I would, therefore, strongly recommend a license being granted to them for distilling the oil and even to sell them at reasonable rates fixed from time to time the surplus quantity of sandalwood which our own factories are not capable of disposing. In a few years if the Essenflour Products Ltd. should expand their activities, we can even think of handing our wood to that factory for distilling the oil or sell the wood outright to that factory for further disposal as they please. The main object of the Government of retaining the industry in Mysore will have been achieved while they will have the satisfaction of obtaining a fairly steady annual revenue from this article.

5. The conditions under which they may be permitted to distil the oil, to ensure the absolute interests of Government in sandal found in the State, may be left for being formulated by a committee consisting of the Director of Sandaloil Factories, Director of Industries and myself with the representatives of the firm.

I have the honour to be,

Sir,

Your most obedient servant,

B. V. Ramamurthi

Offg. Conservator of Forests.

Telegrams:
"ESSENFLOUR,", MYSORE.

Codes:
"A.B.C. 5TH EDITION."
"BENTLEY'S."

ESSENFLOUR PRODUCTS LTD.,

DISTILLERS OF ESSENTIAL OILS,
MANUFACTURERS OF AROMATIC CHEMICALS AND
PERFUMERY PRODUCTS.

REFERENCE
E7. 1096. (Enclos)

MYSORE (South India),
P.O. Box 101.

28th October 1922.

B.V. Ramiengar,.Esq., B.A.,
Conservator of Forests,
Bangalore.

Dear Sir,

You are no doubt aware that the Madras Government are selling by public auction about 860 tons of Sandalwood during the ensuing months of November and December. (We enclose for your information a copy of the notification relating to the Sandalwood sales). We, as distillers of Essential Oils, beg permission to submit through you for the consideration of the Government of His Highness the Maharaja of Mysore our application for the grant of permission to purchase the Madras Government Sandalwood at the auctions and distil the same in our factory in Mysore.

In submitting this application we feel it necessary to explain the present situation in regard to Sandalwood Oil

and the effect that the permission for distilling Sandalwood in our factory would have on the Mysore Government Sandalwood Oil business.

For more than two years the sales of the Mysore Government Sandalwood Oil have been very slack, so slack that it was thought necessary to close down the big factory in Mysore as the stocks of oil distilled in the previous year were abnormally high. It is beyond our province to discuss the reasons for this state of affairs but the fact remains that the Mysore Government Sandalwood collection has been at a stand still and the Madras Government have reaped all the advantages of the pioneer work done by the Mysore Government in regard to the distillation of Sandalwood in India. It is common knowledge that the Madras Government were not exploiting more than an average of 250 tons of Sandalwood per year when the average auction sales of the Mysore Government touched 2,000 tons. This was before the Sandalwood Oil Factories were started; but now the Madras Government have increased their output to nearly 860 tons while the Mysore Government have practically stopped collecting.

(22

The future outlook judged by the reports received on the Essential Oil market looks brighter but the Mysore Government cannot take advantage of any improvement in the Essential Oil market so long as the 860 tons of Sandalwood put up for sales by the Madras Government is permitted to go out. On account of the present financial stringency in the State it is unlikely that the Mysore Government will buy appreciable quantities during the ensuing auctions, with the result that the major portion will surely be bought by exporters of Sandalwood to the Continent and to the United States of America. This quantity will be large and at an average yield of 100 lbs of oil per ton the quantity now put up for auction is capable of yielding nearly 86,000/ ~~85,000~~ lbs of oil. With such a large quantity of oil on the foreign market and with the present exchange fluctuations in the chief buying countries the chances of the Mysore Government deriving advantage from the improvement that has occurred in the Essential Oil market are very poor. The thing to be done therefore is to prevent the wood - at least as much of the wood as possible - from being sent out and especially to countries

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like the United States of America who have protected the distillers and merchants with high tariffs. You know that, while Sandalwood is imported into U.S.A. free from outside, a heavy duty of 25 per cent is being levied on Sandalwood Oil. As the total consumption of Sandalwood Oil here does not exceed more than about 80,000 to 90,000 lbs in a prosperous year the chances then of the Mysore Oil being sold in this country are very poor, if not nil. If however the Oil is permitted to be distilled locally by other distillers in India the Mysore Government will surely reap the benefit as then it will mean simply a competition on equal terms with local distillers. This we hardly submit is a decided advantage against the competition with the distiller who is protected with a 25 per cent import duty on the oil.

If it is conceded, as I am sure you will, that it is necessary that the exportation of Sandalwood to foreign countries should be minimised, if not stopped altogether, the only action that ought to be taken is to permit local distillers to purchase the wood and distil. Distillers outside the State and in fact on the borders of the State do not need any permission of

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the Mysore Government, but it is hard to expect that they would buy an appreciable portion of the Madras wood now put up for auctions as the amount involved will be large. We therefore beg to submit that it is in the interests of the Mysore Sandalwood Oil business to permit us, Mysoreans and distillers of Essential Oils, to buy the Sandalwood and distil it in our factory. With our equipment which is larger than any outside the State, our financial resources and efficient organisation we would even go so far as to state that the outside small distillers have no chance of competing with us and will soon be out of the field. Even if this does not happen, we beg to submit that any action that the Mysore Government might take leading to this goal is in the interests of the Mysore Sandalwood Oil business and we therefore request that you will be good enough to recommend to Government our application for license to distil the oil. As the 24th of November is the date on which the Fraserpet auctions are notified to be held we request that early orders be kindly obtained and communicated to us.

We beg to remain,
Yours faithfully,
for ESSENFLOUR PRODUCTS LTD.

MCK.

(25

GOVERNMENT AUCTION OF SANDALWOOD.

The following quantities of sandalwood more or less will be sold by auction on the dates and at the places named below:-

	Approximate quantity.	Place of Sale.	Date of sale.
Coorg Sandalwood.	400 tons	Fraserpet.	24th Nov. 22.
Madras Sandalwood.	220 "	Satyamangalam.	4th Dec. 22.
do	185 "	Tiruppattur.	7th Dec. 22
do	55 "	Vellore.	11th Dec. 22

Note. - Fraserpet is 55 miles by road from Mysore. Satyamangalam is 42 miles by road from Coimbatore station on South Indian Railway. Tiruppattur and Vellore are railway stations on South Indian Railway.

.. ..

H.F.A. WOOD,

Coimbatore,
8th September 1922.

Conservator of Forests, V Circle.

========

28th Octr. 22.

MR.

no. 3412

Ind 147-22-7 & 24.11.22 (26

To

Confidential

Messrs. The Essenflour Products Ltd.,

Mysore.

Gentlemen,

I am desired to state that your letters No. 1096 and 1097 dated the 28th October 1922 and addressed to ~~the address of~~ the Conservator of Forests in Mysore and the Director of Industries and Commerce in Mysore respectively have been ~~submitted to~~ by them to Government for orders. Before ~~proceeding to the consideration of~~ the proposals put forward by you can be considered, Government will be glad to be informed in greater detail about your manufacturing equipment, financia resources and marketing organisation. I am accordingly to request you to be so good as to submit a detailed scheme, both as regards manufacture and marketing, when Government will be prepared to consider the scheme in all its aspects.

Yours faithfully,

24.11.22

22.11.22

22/11/22

Secy. to Govt., Genl. Deptt.,

Telegrams:
"ESSENFLOUR," MYSORE.

Ic 147-22-8

Codes:
"A.B.C. 5TH EDITION."
"BENTLEY'S."

ESSENFLOUR PRODUCTS LTD.,

DISTILLERS OF ESSENTIAL OILS,
MANUFACTURERS OF AROMATIC CHEMICALS AND
PERFUMERY PRODUCTS.

GEN. & REV. SECTT. 1-DEC 1922 INDUSTRIES & COMMERCE BRANCH.

D 2528
I.C.

REFERENCE E.P. MS

MYSORE (South India),
P.O. Box 101.

30th November 1922.

As replies August 21/12/22

4510-1. 1.12.22.

B. Venkoba Rao, Esq., B.A.,
Secretary to the Government
of H.H. the Maharaja of Mysore,
General Department,
Bangalore.

Received 1/12/22
vide attached letter

Dear Sir,

Recd 1.12.22

We beg to acknowledge your favour Ic.3412/I. & C. 147-22-2 of the 24th instant. We note that our applications addressed to the Conservator of Forests and the Director of Industries & Commerce have been submitted to Government for orders and that, before our application could be considered, Government desire to be informed in detail about our manufacturing equipment, financial resources and marketing organisation. Permit us to state that our application was for permission to buy Sandalwood at the Madras Government auctions and to distil this wood in our factory in Mysore. It is obvious that the financing of this purchase of Sandalwood, the distillation and the sale of the oil are all done

by us and at our risk; we therefore fail to understand why Government wish to know the details connected with our factory. We beg to assure Government that had not the Essenflour Products, Ltd. been in a position to cope with all the wood purchased at the auctions, we would not have approached Government for permission to distil the oil in our factory as the risk involved would have been very great.

Further on we note from your letter that you want us to submit a detailed scheme, both as regards manufacture and marketing. We submitted no scheme and all that we prayed for in our application was, as stated above, just a permission to bring in Madras wood into the Mysore territory and distil it in our factory. While the risk was all ours, we explained in detail how our action would improve the Mysore Sandalwood Oil situation. We shall therefore be obliged if you will be good enough to obtain Government Orders permitting us to distil the Madras wood at an early date as the auctions of Sandalwood at the other three Koties are soon coming on.

We beg to remain,

Yours faithfully,

ESSENFLOUR PRODUCTS LTD.

MCK.